

DCI

The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry

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Dear Lionel,

In case you haven't seen it, here is the  
Bart Rowen article we discussed yesterday.

Yours,

Bill

William J. Casey

Enclosure

The Honorable Lionel Olmer  
Under Secretary for  
International Trade  
Department of Commerce  
Washington, D.C. 20230

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at American Enterprise"  
Ø PRESS - "Soviet-American Freeze"  
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EMBASSY OF THE UNITED STATES OF AMERICA  
PARIS

May 25, 1984

Dear Bart,

I was pleased to see that you decided to write on the subject I raised with you when you were here at the OECD. The Herald Tribune carried the piece and I have already heard favorable comment in French intellectual circles and in the American community.

The French fascination with the United States economic recovery is a fact. I would sorely like to take credit for brainwashing the various potentates who count, but I am afraid it is due to the conjuncture of the failure of socialist policies on the one hand and the scope of our recovery on the other hand; the juxtaposition is dramatic.

I will be writing and talking more on this subject, and perhaps we can get together when I am in Washington in early and late August.

Best regards,

Sincerely,



Evan G. Galbraith  
Ambassador

Mr. Hobart Rowen  
The Washington Post  
1150 15th Street, N.W.  
Washington, D.C. 20071

THE HERALD TRIBUNE - PARIS

May 24, 1984

# In Europe: Looking Hard at American Enterprise

By Hobart Rowen

**P**ARIS — The big story in Europe is not simply that the Common Market countries are light-years behind American and Japanese technology, but that Europeans have begun to develop new respect for the American entrepreneurial spirit, of which they were once contemptuous.

Europe's regulated, bureaucratic societies now have a grudging admiration for the more adventuresome, aggressive free market system. Sophisticated Europeans ascribe much of their lagging economic performance to this difference in approach.

An underlying problem has been the time, energy and money that the European Community has poured into protecting agriculture. Industry has played second fiddle. Nationalist pride and primitive capital markets keep European industrial companies from combining forces to compete with the IBMs and Sonys.

The big shock for Europe this past year has been the sharp U.S. recovery from recession in the face of record real interest rates. This was totally unexpected. It is generally attributed to an unleashing of the American economy from government regulation, and to American labor's willingness to join in the process. Many

Europeans today sound like Republican National Committee clones.

As New York Times correspondent John Vinocur has pointed out, the traditional anti-Americanism of the French intellectual has flip-flopped. The French, seeing the franc plunge in value while the dollar soars, have soured on François Mitterrand and socialism, and are beginning to sound downright pro-American.

Mr. Mitterrand was stunned by his recent trip to the United States, where he saw not only the high-tech outpourings of Silicon Valley, but for the first time understood the significance of cooperation between the business world and academia. The Bonn government, too, is beginning to catch on to this all-important nexus between the private corporation and campus research.

For the near future, European businessmen see themselves heavily dependent on the American "engine of growth." They doubt that there is any independent force left in Europe that will nurture their skimpier recovery once the U.S. boom tapers off.

Today the more daring European companies in Italy and France look

for American, rather than German or Dutch, partners. "They want trans-Atlantic, not European, connections," a diplomat says.

The country that seems to have more of the entrepreneurial spirit than any other is Italy. Although Frenchmen, Germans and Englishmen have always looked down their noses at their Italian neighbors, Italy boasts a thriving economy, having moved from a negative 3- to 4-percent rate of growth in 1983 to a positive 2 or 3 percent this year.

The discerning businessman in Europe today makes no attempt to disguise his awe at America's economic success under Ronald Reagan. Some Americans worry, as they should, at the maldistribution of the benefits of Reaganomics, which are concentrated in the middle- and upper-income brackets. But Europe would be happy with a trickle-down result.

Officials and private citizens with whom I talked here and in Rome are openly envious of the strength of America, the power of the almighty dollar and especially the ability of the American economy to generate new jobs. In the past 10 years America has

created 25 million jobs; in Europe the figure is minus 3 million.

Most of the new American jobs have been in services, including high-tech, and most have been created by new, small companies. But in Europe, businessmen talk of the "exit cost." The statutory obligations for pensions, severance pay and other costs of getting out of business discourage European entrepreneurs from starting up in the first place. By contrast, new interpretations of the U.S. bankruptcy laws provide a cheap way of exiting from business obligations — a new management tool tantamount to a license for union-busting.

"Europessimism" and the contrasts between American progress and European foot-dragging can be exaggerated. But for the first time in the 23 years I have been coming to Europe as a reporter, I hear a common refrain that union work rules will have to become more flexible, and that welfare systems must be cut back. And if manufacturing companies cannot lick the United States and Japan, then they will have to join them, however great the resulting jolt to what meager unity remains in the European Community.

*The Washington Post.*